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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000081

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TAGS: [EMIN](#) [ECON](#) [PGOV](#) [GV](#)

SUBJECT: MINISTER OF MINES: CONTRACT REVIEW THUMBS UP,
HYPERDYNAMICS THUMBS DOWN

REF: A. CONAKRY 0027
[B.](#) CONAKRY 0028
[C.](#) CONAKRY 0029
[D.](#) CONAKRY 0030

Classified By: ECON OFFICER KIM JORDAN FOR REASONS 1.4 B AND D

[1.](#) (C) SUMMARY. The Minister of Mines provided a general overview of what Guinea needs for continued development. He also stated that the Government of Guinea will renegotiate mining and oil contracts, including the contract of U.S. company, Hyperdynamics. Meanwhile, Hyperdynamics continues to court Conte's cronies. END SUMMARY.

INTERNATIONAL CONTRACT NORMS AND COMMUNITY INTEGRATION

[2.](#) (SBU) On January 24, the Ambassador and Econoff met with Dr. Ahmed Kante, the Minister of Mines. The meeting was cordial, with both parties clarifying their positions with respect to the issue of bring existing mining and oil contracts up to international norms.

[3.](#) (SBU) The Minister, who holds his doctorate in Mathematical Economics, opened the meeting by emphasizing that the Guinean Government fully supports foreign direct investment in Guinea. However, he stated that the existing mining and oil contracts are not fair and need to be updated in order to bring them up to current international norms. The Ambassador pointed out that the current IMF poverty reduction program for Guinea requires existing mining and oil contracts to be brought up to international norms as well. The Ambassador emphasized that the U.S. takes no position the review of mining contracts, as long as all companies, including the U.S. companies, are treated equitably and that mutually satisfactory agreements are reached. The Ambassador added that he would have a problem if the reviews were done to the advantage of one firm over another. He stressed that the process must be fair and transparent.

[4.](#) (SBU) Dr. Kante went on at length about the need for the mining companies to integrate into mining communities and foster economic development. The Ambassador noted that the U.S. African Development Fund is already facilitating such development in the Boke area in partnership with miner BHP Billiton. The Ambassador emphasized that the government has an obligation to meet the social needs of mining communities.

He noted the case of the situation in Sangaredi (NOTE: Sangaredi is a mining town in the north of Guinea. END NOTE.) where the Sous-prefet has done nothing to improve the quality of life of the local community, while mining company CBG is the has improved the lot of the people, in effect making CBG the real government there.

[5.](#) (SBU) The Minister stated that the Government of Guinea is not under external pressure from any foreign mining company

seeking unfair commercial advantages, and that his ministry wants all of the contracts to be fair to all parties. Kante said that contrary to persistent rumors, French oil giant Total has not made any attempt to influence the Ministry in order to get a foot in the offshore oil work.

HYPERDYNAMICS; DIVERGING INTERESTS

¶16. (SBU) Dr. Kante insisted that the contract with Hyperdynamics is not yet binding because it has not been ratified by the National Assembly. He went on to say that the Ministry of Mines is responsible for contract negotiation. In support of the Minister's assertion, the Ambassador mentioned that when Hyperdynamics met with President Conte, the President referred them to the Minister of Mines for contract discussions. As for the Secretary General of the Presidency, Sam Soumah, the Minister stated that despite Mr. Soumah's recent claim to control all hydrocarbon contracts, he does not have such power.

¶17. (SBU) The Minister revealed that the government dossier on Hyperdynamics' oil exploration consists only of the contract, and that not one piece of technical information has been provided by the company to the government regarding the supposed major oil reserves in offshore Guinea. The Minister said that this failure to provide technical information is contrary to the requirements of the Mining Code, and makes it impossible for the government to realistically evaluate the project. The Minister also noted that Hyperdynamics has not provided any documentation to account for the \$40-50 million dollars it claims to have spent so far as they reported to the previous Minister of Mines.

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¶18. (C) While leaving the meeting, the Ambassador asked whether the original Hyperdynamics contract was signed as a result of corrupt practices. The Minister was coy, but smiled and said that it is difficult to find such evidence. The Ambassador also inquired about reports that Hyperdynamics paid 500 Million Guinea Francs to various youth associations to oppose the strike call earlier this month (REFTELS) as a mechanism for destabilizing the consensus government under PM Kouyate. The Minister said he was not sure, but that Soumah had spent a lot of money on the youth. He urged the Ambassador to ring up the subject of Hyperdynamics with the Prime Minister.

¶19. (C) COMMENT. The PM and his ministers have been consistent in their call for all mining and oil contracts to be updated, which includes Hyperdynamics' contract. In response, the U.S. firm appears to be attempting to manipulate members of the President's inner circle in order to get around the PM. Post has a growing suspicion that the company is funding some anti-PM activities to further undermine Kouyate's administration as a means of securing its contract. Repeated efforts by Post to encourage the firm to open a dialogue with the Government of Guinea have had little impact from Post's perspective. The interests of Hyperdynamics and the U.S. government appear to be diverging and may be at cross-purposes. END COMMENT.
CARTER